

(323) 881-2401

August 29, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

REQUEST APPROVAL OF TAX RATE LEVY FOR THE 2002-03 VOTER-APPROVED

**FIRE PROTECTION DISTRICT SPECIAL TAX
(ALL DISTRICTS) (3 VOTES)**

**IT IS RECOMMENDED THAT YOUR HONORABLE BOARD, ACTING AS THE
GOVERNING BODY OF THE CONSOLIDATED FIRE PROTECTION DISTRICT:**

1. Adopt the attached resolution fixing the Fiscal Year 2002-03 tax rate for the Consolidated Fire Protection District of Los Angeles County voter-approved special tax, setting the rate per single family home at \$52.93, with all other rates proportionately adjusted, which will increase the revenue the Fire District receives by \$4.6 million for a total of approximately \$57.6 million in Fiscal Year 2002-03, to be expended on fire protection and emergency medical services throughout the Fire District.
2. Instruct the Fire Chief and the Auditor-Controller to take all actions necessary to implement the special tax levy for Fiscal Year 2002-03.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The electorate overwhelmingly approved a special tax to fund fire protection and emergency medical services in 1997. The initial rates approved by the voters were \$48.00 per single family home, with varying rate amounts for other property use types. Also, as approved by the voters, the maximum allowable special tax rates are increased each year by the California Consumer Price Index (CPI), up to 2 percent annually.

The maximum allowable rate for 2002-03 is \$52.93 per single family home, with various rates for other types of properties.

Upon thorough review of our latest fiscal forecast, it is being recommended that your Board levy the special tax at the voter-approved amount of \$52.93 for a single-family residence. This is a \$4.27 increase over the existing single-family residence rate, but it is still \$3 less per home than the \$55.96 rate levied in 1995-96 under the previous benefit assessment program, which was replaced by the special tax in 1997. The recommended increase continues our multi-year efforts to bring ongoing revenue in line with ongoing costs.

As a special district, the Fire District must be financially self-sufficient. Maintaining a fund balance of 3 to 5 percent (\$18 million to \$30 million based on 2002-03 financing requirements) is essential to the ongoing financial stability of the Fire District. The major source of annual revenue for the Fire District is property tax, with other revenue generated from contractual payments made by various agencies for services received. The special tax constituted 9.8 percent (\$53 million) of the Fire District's revenue in 2001-02.

The 2002-03 Fire District budget includes a partial payment of \$16 million in revenue from the recovery of Educational Revenue Augmentation Fund (ERAF) owed to the Fire District by the State. Although the Fire District prevailed in the Superior Court on July 11, 2002, the State will probably appeal the ruling, and it is uncertain when we will begin receiving the ERAF revenue.

Until this ERAF issue is resolved and repayment begins, a District Contingency Funding Plan is being implemented to maintain operations until the State revenue is received. The objective of the Contingency Funding Plan is to continue current levels of emergency operations for two fiscal years (2002-03 and 2003-04) without any ERAF payments from the State. There are four major components of this plan:

- Use one-time funds from our Accumulated Capital Outlay (ACO) Fund. Although no specific projects will be immediately affected, this will deplete funding for future construction projects, including fire stations. If the ERAF revenue is received, the ACO Fund will be replenished.
- Seek accelerated General Fund payment of retroactive Lifeguard overhead for an additional \$2.5 million in 2003-04 above the planned \$2.5 million in 2002-03 and 2003-04.
- Defer the purchase of fire engines and other vehicles.

- Increase the special tax to its voter-approved limit for 2002-03. The multi-year forecast also anticipates a recommendation to apply the 2% CPI adjustment in 2003-04, which will be considered by your Board next year.

Even with these significant financial adjustments, the Fire District is projecting minimal year-end fund balances of only \$15.4 million (2.6%) for 2002-03 and \$8.2 million (1.4%) for 2003-04. These projected fund balances are significantly lower than the prudent fund balances normally maintained (3% to 5%, or \$18-\$30 million). A substantial amount of one-time funding will be utilized to maintain ongoing operations, which is only a temporary solution to balancing the Fire District's budget.

An increase in the special tax to the voter-approved amount for 2002-03 of \$52.93 for a single-family residence is an essential part of the District Contingency Funding Plan. This increase will generate an additional \$4.6 million in 2002-03 needed to maintain current levels of emergency operations. Without an increase, significant reductions in emergency staffing will be required to maintain the financial stability of the Fire District.

Independent Citizens' Oversight Committee (ICOC)

As instructed by your Board, the Fire District's recommendation to adjust the special tax rate is based upon a two-year financial forecast. In addition, the Independent Citizens' Oversight Committee (ICOC) met on August 28, 2002, and their report will be submitted separately to your Board, prior to your meeting of September 10, 2002. The ICOC is supportive of the District's recommendation to increase the special tax.

FISCAL IMPACT/FINANCING

The Fire District's adopted 2002-03 Budget reflects an anticipated increase in the special tax of 2%, or an additional \$1.1 million in revenue for 2002-03. Increasing the special tax to \$52.93 as recommended will generate an additional \$3.5 million for a total increase of \$4.6 million to provide essential funding for the Fire District.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

California Health and Safety Code Section 13911 and California Government Code Section 50075 et seq. authorize the levying of the special tax. Your Board's approval of the attached resolution will levy the special tax at a rate of \$52.93 per single family home, with rates that vary for other property use types as specified in the resolution.

The Honorable Board of Supervisors
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County Counsel has approved the resolution as to form.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Voters approved the special tax in June, 1997, at the rate of \$48.00 per single family home (with various rates for other property types), and the voters also authorized an increase in the special tax of 2% per year, or the CPI adjustment, whichever is less. Increasing the special tax rate to the maximum rate allowed of \$52.93 per single family home, with all other rates proportionately adjusted, generates essential funding to continue providing fire protection and emergency medical services to the residents of Los Angeles County protected by the Fire District.

Respectfully submitted,

P. MICHAEL FREEMAN

PMF:DA:fd

Attachment

c: Chief Administrative Officer
County Counsel
Auditor-Controller
Executive Officer, Board of Supervisors

RESOLUTION OF THE BOARD OF SUPERVISORS
FIXING THE SPECIAL TAX RATE FOR THE
CONSOLIDATED FIRE PROTECTION DISTRICT
AND LEVYING THE SPECIAL TAX UPON THE
TAXABLE PROPERTY OF THE COUNTY FOR THE
FISCAL YEAR 2002-2003

WHEREAS, on June 3, 1997, the voters within the cities of Agoura Hills, Artesia, Azusa, Baldwin Park, Bell, Bellflower, Bell Gardens, Bradbury, Calabasas, Carson, Cerritos, Claremont, Cudahy, Diamond Bar, Duarte, Glendora, Hawaiian Gardens, Hidden Hills, Huntington Park, Industry, Irwindale, La Canada Flintridge, Lakewood, La Mirada, Lancaster, La Puente, Lawndale, Lomita, Malibu, Maywood, Norwalk, Palmdale, Paramount, Pico Rivera, Rancho Palos Verdes, Rolling Hills, Rolling Hills Estates, Rosemead, San Dimas, Santa Clarita, Signal Hill, South El Monte, South Gate, Temple City, Walnut, West Hollywood, Westlake Village and Whittier, and within the unincorporated area of the County, approved a special tax for fire protection and paramedic services (the "special tax"); and

WHEREAS, certain special tax rates were approved, based upon property use type and size of improvements, to be annually increased by a maximum of the lesser of 2 percent or the California Consumer Price Index, which maximum special tax rates are herein specified and attached to this Resolution as Exhibit 1, hereinafter referred to as "maximum rates"; and

WHEREAS, the Board of Supervisors may annually levy an amount up to the maximum rates for the special tax as approved by the voters; and

WHEREAS, the Board of Supervisors desires to levy the special tax within the maximum rates allowed for the special tax as approved by the voters.

NOW, THEREFORE, BE IT RESOLVED, that pursuant to Section 13911 of the Health and Safety Code of the State of California and Section 50075 *et seq.* of the Government Code of the State of California, the Board of Supervisors of the County of Los Angeles, in its capacity as the Board of Directors of the Consolidated Fire Protection District of Los Angeles County, does hereby levy the special tax upon the taxable property of the County within the cities of Agoura Hills, Artesia, Azusa, Baldwin Park, Bell, Bellflower, Bell Gardens, Bradbury, Calabasas, Carson, Cerritos, Claremont, Cudahy, Diamond Bar, Duarte, Glendora, Hawaiian Gardens, Hidden Hills, Huntington Park, Industry, Irwindale, La Canada Flintridge, Lakewood, La Mirada, Lancaster, La Puente, Lawndale, Lomita, Malibu, Maywood, Norwalk, Palmdale, Paramount, Pico Rivera, Rancho Palos Verdes, Rolling Hills, Rolling Hills Estates, Rosemead, San Dimas, Santa Clarita, Signal Hill, South El Monte, South Gate, Temple City, Walnut, West Hollywood, Westlake Village and Whittier, and within the unincorporated area of the County, at the special tax rates herein fixed and attached to this Resolution as Exhibit 2.

The foregoing resolution was on the _____ day of September, 2002, adopted by the Board of Supervisors of the County of Los Angeles and *ex-officio* the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.

VIOLET VARONA-LUKENS, Executive Officer-
Clerk of the Board of Supervisors of the County
of Los Angeles

By _____
Deputy

APPROVED AS TO FORM:

LLOYD W. PELLMAN
County Counsel

By _____
Principal Deputy County Counsel

SUMMARY OF MAXIMUM RATES FOR PROPOSITION E
VOTER-APPROVED SPECIAL TAX FOR THE
CONSOLIDATED FIRE PROTECTION DISTRICT OF LOS ANGELES COUNTY

LAND USE	MAXIMUM RATES* (2% INCREASE)	
	2001-2002	2002-2003
Single Family Residential	\$51.89	\$52.93
Mobile Home in Park	25.94	26.46
Multiple Family Residential	65.54	66.85
+ Square Footage Rate (over 1,555 sq. ft.)	0.0067	0.0068
+ Square Footage Rate with sprinkler credit (over 1,555 sq. ft.)	0.0064	0.0065
Non-Residential	62.80	64.06
+ Square Footage Rate (over 1,555 sq. ft.)**	0.0423	0.0431
+ Square Footage Rate with sprinkler credit (over 1,555 sq. ft.)**	0.0406	0.0414
High Rise	76.46	77.99
+ Square Footage Rate (over 1,555 sq. ft.)**	0.0516	0.0526
+ Square Footage Rate with sprinkler credit (over 1,555 sq. ft.)**	0.0493	0.0503
Special Use	95.57	97.48
+ Square Footage Rate (over 1,555 sq. ft.)**	0.0644	0.0657
+ Square Footage Rate with sprinkler credit (over 1,555 sq. ft.)**	0.0616	0.0628
Vacant-2 acres or less	12.97	13.23
Vacant-2+ acres to 10 acres	17.13	17.47
Vacant-10+ acres to 50 acres	34.24	34.92
Vacant-50+ acres	51.89	52.93

*Maximum rates are not necessarily the actual rates imposed by the Los Angeles County Board of Supervisors.

**Capped at 100,000 square feet.

See Appendix A to the Amended and Restated Resolution of the Board of Supervisors March 4, 1997 for a full explanation of land use categories and the application of the special tax rates.

**PROPOSITION E — VOTER-APPROVED SPECIAL TAX FOR THE
CONSOLIDATED FIRE PROTECTION DISTRICT OF LOS ANGELES COUNTY**

Special Tax Rates for Fiscal Year 2002-2003

Land Use	Special Tax Rate	Special Tax Rate w/Sprinkler Credit
Single Family Residential	\$52.93	NOT APPLICABLE
Mobile Home in Park	\$26.46	NOT APPLICABLE
Multiple Family Residential	\$66.85 + \$.0068 per sq. ft. over 1,555 sq. ft.	\$66.85 + \$.0065 per sq. ft. over 1,555 sq. ft.
Non-Residential	\$64.06 + \$.0431 per sq. ft. over 1,555 sq. ft.*	\$64.06 + \$.0414 per sq. ft. over 1,555 sq. ft.*
High Rise	\$77.99 + \$.0526 per sq. ft. over 1,555 sq. ft.*	\$77.99 + \$.0503 per sq. ft. over 1,555 sq. ft.*
Special Use	\$97.48 + \$.0657 per sq. ft. over 1,555 sq. ft.*	\$97.48 + \$.0628 per sq. ft. over 1,555 sq. ft.*
Vacant Land - 2 acres or less	\$13.23	NOT APPLICABLE
Vacant Land - more than 2 acres and less than or equal to 10 acres	\$17.47	NOT APPLICABLE
Vacant Land - more than 10 acres and less than or equal to 50 acres	\$34.92	NOT APPLICABLE
Vacant Land - more than 50 acres	\$52.93	NOT APPLICABLE

*Capped at 100,000 square feet per parcel.